



Opening Remarks

Resilient Economies: Caribbean Sustainability in the Global Economy

by

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of the

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at the

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DEVELOPMENT**

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LLOYD ERSKINE SANDIFORD CENTRE

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SALUTATIONS

Prime Minister of Barbados, the Rt. Hon. Freundel Stuart

Secretary-General of the United Nations, His Excellency, Mr. Ban Ki Moon

Secretary-General of the Commonwealth, His Excellency, Mr. Kamallesh Sharma

Prime Minister of the Commonwealth of the Bahamas, Hon. Perry Christie

Secretary-General of CARICOM, His Excellency, Ambassador Irwin LaRocque

Minister of Foreign Affairs and Foreign Trade of Barbados, Sen. The Hon. Maxine McClean

Chancellor of the University of the West Indies, Sir George Alleyne

Vice-Chancellor the University of the West Indies, Sir Hilary Beckles

Excellencies,

Distinguished Guests

Members of the Media

Ladies and Gentlemen

Resilient Economies: Caribbean Sustainability in the Global Economy

Chairman,

The theme of my remarks this morning is ‘Resilient Economies: Caribbean Sustainability in the Global Economy’.

This symposium finds us at an important juncture in our development.

For centuries the struggle of the Caribbean has been about survival in trying times. But it has also been about facing up to the burden imposed by our geographical location and the varying dimensions and elements of climate change.

My remarks today are therefore, couched within the strands of economic and environmental resilience that, together, are the strategic anchors for Caribbean sustainability in the global economy.

Economic Resilience

Chairman, a discourse about the Region’s economic resilience is also a discourse about our economic vulnerabilities. One is the antithesis of the other. The Region benefited from an accommodative preference regime for many of its primary commodity exports, up until the turn of the last century. Our factor endowments of pristine beaches; our exotic culture; our well-educated workforce; a progressive legal and regulatory architecture; and stable democracies have allowed many of our countries to be very competitive in the provision of high-end value-added services. These have been cornerstones of Caribbean economic resilience.

This economic model for Caribbean growth and development has changed quite radically and change has come at an uncomfortable speed. As countries struggle to cope with the pace of change, a number of economic vulnerabilities are now apparent. These include limited exports with high market concentration; low and volatile economic growth in many countries contributing

to the high and rising unemployment, especially among the youth. Government spending is excessive; and the overall fiscal deficit of almost 4% is unsustainable. Fiscal problems, have, in turn, led to huge debt accumulation, with several countries now ranked among the most indebted in the world. And poverty levels continue to rise, with more than 21% of the population living below the poverty line.

Chairman, a key component of our economic vulnerability is also related to energy. Imported fossil fuels account for about 95% of our energy needs. This skewed import dependence has resulted in considerable price volatility and has contributed, in large part, to the competitiveness challenges that many Caribbean industries currently face.

Ironically, these countries also have sizeable endowments of hydro, geo-thermal, wind and solar energy. However, CARICOM countries harness less than 1% of their renewable energy (RE) resources.

By reducing our heavy dependence on imported fossil fuels through greater uptake of renewable energy and increased energy efficiency, our economies could become more competitive. But innovative financing mechanisms will be required to facilitate the Region's transition to a greater reliance on sustainable energy.

For many Caribbean countries sustainable energy is the only indigenous option for achieving energy security. There is, nevertheless, a perception that investments in certain forms of renewable energy can be extremely risky.

This perceived risk, coupled with the capital intensity of some investments, calls for non-traditional financing mechanisms for some forms of renewables. For example, geothermal energy development requires large up-front capital outlays to establish resource availability and quality. In cases where domestic markets are also small, innovative approaches, such as incorporating concessional financing would be essential!

Environmental Resilience

Small Island Developing States (SIDS), including Caribbean SIDS, and low-lying states are set to bear the brunt of impacts from climate variability, sea level rise and climate change. They also face disproportionately high economic, social and environmental consequences as well as burdensome reconstruction costs. Furthermore, the Caribbean is one of the world's most vulnerable regions, facing intense and frequent natural disasters.

Climate change can have devastating long-term impact on growth and development of the Caribbean. The projected cost of inaction is estimated to be at least 75% of GDP by the year 2100 in Dominica, Grenada, Haiti, St. Kitts and Nevis, and Turks and Caicos Islands, with smaller, but still relatively high levels for a number of the other countries.

So Chairman, what can our countries do, either individually or collectively, and with the strong and unwavering support of the regional and international development community?

Today, I want to suggest a core set of country-led actions as well as initiatives to be taken by development partners. I also want to propose how the emerging Sustainable Development Goals can be leveraged to fuel Caribbean resilience. And I want to speak briefly about the role which CDB is playing in this important Caribbean resilience-building enterprise.

BUILDING RESILIENCE AT THE NATIONAL LEVEL

At the national level, several key initiatives can lay the basis for more robust and sustainable Caribbean growth.

First, we must create an enabling environment to mitigate investor risk and facilitate investment. Macro-economic stability, undergirded by sound fiscal policy; transparent and enforceable fiscal rules; adequate fiscal buffers; and appropriate legislative, and regulatory frameworks are essential ingredients for creating that enabling environment.

Second, an effective public debt management strategy which balances the mix and tenor of local and foreign borrowings whilst maintaining prudential debt limits is needed. Highly-indebted Caribbean SIDS must commit to this reform path and, at the same time, vigorously and persistently make the case for access to donor-assisted debt relief.

Third, our economies must become increasingly open and integrated into the global economy, facilitated by the progressive removal of barriers to trade and the creation of an investment-friendly environment.

Additionally, we must invest in appropriate disaster risk management and climate adaptation tools to protect critical infrastructure and to be able to realise the expected return on such investments.

Finally, it is imperative that we diversify our fuel sources, with emphasis on exploitation of indigenous energy sources to increase energy independence and reduce energy costs by as much as 50%.

BUILDING RESILIENCE AND THE ROLE OF THE DEVELOPMENT COMMUNITY

Chairman, the post-2015 development agenda is crystalising and, in many respects, provides an excellent opportunity for the region to insert itself in a meaningful way to advance its collective cause.

In September 2015, at a United Nations (UN) summit for the adoption of the post-2015 development agenda, the international community will adopt a framework for international cooperation and Sustainable Development Goals (SDGs) that represents a new generation of global development targets, following from the Millennium Development Goals (MDGs).

This approach involves working towards a set of global goals, universal in nature and applicable to all countries, while taking account of differing national circumstances and respecting national policies and priorities.

Seventeen SDGs have emerged as representing development priorities that could improve sustainable livelihoods, with accompanying targets to be further elaborated through indicators focused on measurable outcomes. In a real way, they represent a renewed commitment to the core Millennium Development Goals.

In this context, Caribbean countries have been engaged in consultations at the global, regional and national levels to articulate the development needs and priorities of the Region.

Chairman, there is much to endorse in relation to the aspirations of the SDGs. Like the MDGs, some of the newer goals have great relevance for the Caribbean. These can be grouped in six broad categories of (i) job-led growth; (ii) competitiveness and the role of energy; (iii) climate change and environmental vulnerability; (iv) human development; (v) governance; and (vi) financing for development.

Indeed, all these align with the central focus and aim of building resilience in Caribbean economies.

But the real test will come at the level of implementation modalities, monitoring and reporting and financing for development. In Copenhagen, in 2009, developed countries pledged to raise jointly, by 2020, USD 100 billion per annum for climate change mitigation and adaptation in developing countries. An extensive and complex architecture of climate financing funds and mechanisms from multilateral and bilateral sources is developing at the global level. As the momentum towards full agreement on the post-2015 development agenda builds, it is essential that the developed countries reaffirm as well as honour this commitment.

BUILDING RESILIENCE AND THE ROLE OF CDB

I now turn to the role of CDB in building Caribbean resilience.

A concerted effort is underway in CDB to ensure that our Region can benefit fully from the new flows of low-carbon climate resilient financing; to identify viable mitigation and adaptation projects; and to package them for technical and economic appraisal by development partners.

CDB has been preparing to become the “intermediary of choice” for climate financing to the Region. It is well-placed to perform this function, offering a unique combination of fiduciary capacity; knowledge of the region; and solid relationships based on mutual respect and a shared vision for the region’s economic development.

In this regard, we have been proactively seeking accreditation to the Adaptation Fund and to the Green Climate Fund, which will unlock considerable dedicated climate financing.

In addition, CDB has been working collaboratively with other development partners, including UK AID, Inter-American Development Bank (IDB), and the European Union to develop appropriate financing structures and modalities. Most recently, we signed an Agreement with the European Union-Caribbean Investment Facility (EU-CIF), to support a new Sustainable Energy for the Eastern Caribbean Programme, which will promote renewable energy and energy efficiency.

CDB has also signed a Memorandum of Cooperation with the IDB and Japan International Cooperation Agency to make available Inter-American Development Bank appropriately-priced financing for the development of the geothermal industry in the OECS countries.

In short, Chairman, CDB has been steadfast in its resolve to raise awareness amongst its BMCs of the need to build sustainability and resilience into their development agenda.

Conclusion

In conclusion, Chairman, the road travelled by the Caribbean region has not been the smoothest nor the easiest. We have been fortified, as a people, conditioned by hard work and banded together by a common purpose. Reaping policy dividends will only be achieved if we are prepared to take bold and decisive actions in those areas that strengthen our economic and environmental resilience.

The Region cannot do it alone. New partnerships must be formed and old bonds undergirded. Regional institutions must be willing and able to provide intellectual leadership and craft a menu of possible solutions to Caribbean development challenges.

But the Region must also ‘crowd-in’ development support. There is global recognition and resolve that SIDS possess certain inherent vulnerabilities that warrant special and differential treatment. There can be and should be no compromise. Conventional metrics that equalise well-being to per capita income need to be broadened, thereby providing the Caribbean with improved development financing options.

I trust that the dialogue today will advance our collective cause and deepen Caribbean resilience.

Chairman, I thank you.